



To: FFEL Lenders

From: Matteo Fontana, General Manager *M.F.*
Financial Partner Services
Federal Student Aid

Date: June 2, 2006

Subject: FFEL Lender Interest Reimbursement for Unsubsidized Stafford and PLUS Loans made to certain borrowers impacted by Hurricanes Katrina and Rita

Summary: This memorandum provides additional guidance regarding the treatment of accrued interest for lenders holding FFEL Unsubsidized Stafford and PLUS loans made to certain borrowers who were impacted by Hurricanes Katrina and Rita.

Section 202(a) of the Higher Education Hurricane Relief Act of 2005 provides, in part, that the Secretary is authorized to waive or modify any statutory or regulatory provision applicable to the student financial assistance programs under Title IV of the Higher Education Act of 1965, as amended (HEA), or any student or institutional eligibility provision in the HEA, as the Secretary deems necessary in connection with a Gulf hurricane disaster. On March 3, 2006, we provided direction to certain hurricane-affected institutions designating which student loans (including PLUS loans) that had been disbursed for a period of enrollment that was canceled, delayed, or interrupted due to the hurricanes could be discharged and which, if any, needed to be canceled with the loan proceeds returned to the lender by the institution. Subsequently, we instructed those institutions to submit all requests for FFEL loan cancellations to their FFEL lenders no later than May 25, 2006.

In the Department's March 3, 2006 memorandum, "FFELP Lender and Guaranty Agency Procedures for the Treatment of Title IV Aid Disbursed at Gulf Hurricane Affected Institutions" we instructed FFEL lenders to eliminate any interest assessed to borrowers whose Unsubsidized Stafford and PLUS loans were canceled or refunded by hurricane affected institutions as a result of guidance provided to those institutions. Pursuant to the Secretary's waiver authority, for loan proceeds that were returned by a hurricane-impacted institution under the Department's guidance, the FFEL lender may bill the Department for interest assessed to borrowers through the date the loan proceeds were returned by the institution. In addition, any payments made to the lender by the borrower must be returned to the borrower.

To allow lenders time to process cancellation requests submitted to them by institutions, we are establishing August 1, 2006 as the latest date that a lender (or lender servicer on behalf of one or

830 First St. N.E., Washington, DC 20202
www.FederalStudentAid.ed.gov
1-800-4-FED-AID

more lenders) must submit to the Department one single consolidated request for reimbursement of assessed interest. Please note that this billing will be handled separately from the lender quarterly billing process (LaRS).

Requests for interest reimbursement are to be submitted using the attached spreadsheet. The first tab of the spreadsheet must include the total amount of reimbursement requested for each lender. The second tab must provide the requested loan level detail to support the payment request. The full spreadsheet must be password protected and emailed, as an attachment, to 'fsa_lr@ed.gov' no later than August 1, 2006. The subject line of the email to which the spreadsheet is attached must read "Request for Hurricane Interest Reimbursement" and the body of the email must include the name and lender ID of the lender or lender servicer submitting the request. It also must include the name, email address, and phone number of a contact person at the lender or lender servicer.

As noted, the spreadsheet must be password protected. Prior to completing the spreadsheet, each lender or lender servicer that will be submitting a request for reimbursement must send a separate email to 'angela.roca-baker@ed.gov'. The subject line of this email must read "Request for Spreadsheet Password". The sender will receive a 'reply' email that will include the password that must be used when securing the spreadsheet.

After processing of the spreadsheet requests are completed, we will send an e-mail to the contact person identified advising them of the payment.

If you have any further questions, please contact Angela Baker at 202-377-3322 or at fsa_lr@ed.gov.

Attached: Hurricane Interest Reimbursement Spreadsheet